

Delaware River Basin Commission

DELAWARE • NEW JERSEY
PENNSYLVANIA • NEW YORK
UNITED STATES OF AMERICA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
AND REPORTS ON INTERNAL
CONTROL AND COMPLIANCE
YEAR ENDED JUNE 30, 2014

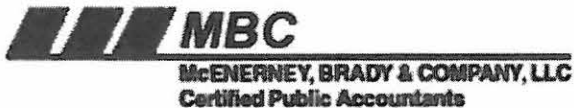
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FINANCIAL SECTION



Independent Auditors' Report

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying statement of net position of the Delaware River Basin Commission (the "Commission") at June 30, 2014, and the related statements of revenues, expenses and changes in net activities and cash flows for the year then ended and notes to the financial statements, which collectively comprise the Commission's statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2014, and changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary sections and schedule of expenditures of state awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey State Office of Management and Budget Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in the supplemental sections and schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental sections and schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



McLure, Brady, Company, LLC

Livingston, New Jersey
December 8, 2014

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

Management's Discussion and Analysis

Delaware River Basin Commission Management's Discussion and Analysis For Fiscal Year Ending June 30, 2014

Who We Are

The Delaware River Basin Commission (the "Commission") was formed in 1961 by compact agreement among the United States Government and the States of Delaware, New Jersey, New York and the Commonwealth of Pennsylvania (signatory parties) for the purpose of developing and implementing plans, policies and projects relating to the water resources of the Delaware River Basin. Commission programs include water quality protection, water supply allocation, regulatory review, water conservation initiatives, watershed planning, drought management, flood loss reduction and recreation.

Overview

Our discussion and analysis provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2014. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

- The Commission's general fund unrestricted net position stands at \$4,073,604 as of June 30, 2014, a decrease of \$80,705.
- The total cost of the Commission's governmental programs and projects was \$6,531,392.
- The Commission's business-type net position stands at \$16,630,729 as of June 30 2014, an increase of \$1,510,991.

Using This Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Position* (p.14) and the *Statement of Activities* (p.15) provide information about the activities of the Commission as a whole and present a long-term view of the Commission's finances.

Fund financial statements start on page 18. These statements tell how governmental activities were financed in the short-term.

Reporting the Commission as a Whole

The Statement of Net Position and the Statement of Activities-

One of the most important questions asked about the Commission's finances is, "Is the Commission better off or worse as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the Commission in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in them. You can think of the Commission's net position - the difference between assets and liabilities - as one way to measure the Commission's financial health, or financial position. Over time, the increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. The reader should consider other nonfinancial factors, however, such as the funding commitments of the States and Federal Government who contribute a significant portion of the funding for the Commission's governmental activities.

In the *Statement of Net Position* and the *Statement of Activities*, we divide the Commission into two kinds of activities: governmental and business-type.

- *Governmental activities*-Most of the Commission's basic services are reported here, including general government and administration, planning and implementation, project review, basin operations, modeling and monitoring and special projects. The signatory parties, along with project-specific grants, finance most of these activities.
- *Business-type activities*-The Commission provides water storage in two federal facilities at Beltzville and Blue Marsh Lakes. The Commission has agreed to reimburse the federal government for the construction costs of these facilities. Costs associated with the operation, maintenance and debt service for these facilities as well as conservation, demand and administrative costs are reported here. The Commission has a fee structure that is applied to certain post-compact surface water users in the basin.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the Commission as a whole. Some funds are required to be established by generally accepted accounting principles. However, the Commission establishes some funds to help it control and manage money for particular purposes such as special projects or to show that it is meeting legal responsibilities for using certain grants and other money.

The Commission's two kinds of funds- governmental and proprietary- use different accounting approaches.

Governmental funds-the Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation schedule at the bottom of the fund financial statements.

Proprietary funds-the Commission levies a fee on various entities in the basin for their consumptive and non-consumptive use of surface water. These revenues are reported in the proprietary fund. Costs associated with water storage facilities, water conservation and demand activities and related administrative activities are also reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the Commission's proprietary fund is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

The Commission as a Whole

As of June 30, 2014, the net position of governmental and business-type activities total \$5,378,364 and \$16,630,729 respectively. A decrease of \$90,665 in net position resulted from governmental activities and an increase of \$1,510,991 in net position resulted from business activities for the fiscal year ending June 30, 2014.

Net position are comprised of two components, unrestricted equity and equity invested in capital assets (net of related debt). For the year ending June 30, 2014, the governmental activities' equity invested in capital assets increased by \$52,719. The increase in equity invested in capital assets is the difference between capitalized costs and depreciation charges.

Governmental Activities

For the fiscal year ending June 30, 2014 revenues, excluding inter-fund transfers, decreased by \$897,122 or approximately 16% from the prior fiscal year. General Fund, revenues from the State of New Jersey were \$693,000, \$200,000 less than the prior year and revenues from the Commonwealth of Pennsylvania were \$998,350, \$50,000 more than the prior year. Other notable General Fund revenue changes from the prior year include Project Review revenue at \$491,844, lower by \$288,437 and compliance revenue at \$121,386, higher by \$55,951. Revenue from Special Projects was \$528,592 less than the prior fiscal year. Details of this decrease are presented in the table below:

Project Name	FY14	FY13	Change
201 Riverware Model	-	2,435	(2,435)
202 Pinchot Inst.	10,212	38,352	(28,140)
203 Didymo Nutrs.-Didymo Nutrients	11,547	7,053	4,495
310-MONITORS	260,202	202,490	57,712
312A-OASIS Model	35,592	99,990	(64,398)
314A-Data Tracking-Haas Trust	1,236	9,512	(8,276)
315-PA PROT AREA	108,017	155,939	(47,922)
320-ICE JAM	0	-	0
326A-WPF-Assess WR Inpacts From NG	-	65,570	(65,570)
326B-WPF -Software Tool, Planning Process	116,067	54,333	61,733
326C-WPF Exp Baseline Mon.	24,431	81	24,350
343-Early Warning System	82,645	87,214	(4,569)
350A-NG Monitoring-Haas Trust	2,715	36,852	(34,137)
353-PA State Water Plan	-	800	(800)
362-Base-106 Base Grant	627,496	959,309	(331,813)
364-LDM Point Discharger Study	40,078	18,153	21,925
369-Del Estuary Mercury Study	21,456	73,830	(52,374)
372A-Courtyard Project	32,495	-	32,495
372-William Penn Fndtn	3,000	-	3,000
374-Comp Plan	132,992	279,000	(146,008)
375-NJ Flood Outreach	11,926	-	11,926
384-Nutrient Expert Panel	-	2,010	(2,010)
385-Enhanced Flood Warning Sys-USGS/NWS	2,659	-	2,659
386-Ecological Flow Recommendations	70,940	31,375	39,565
Grand Total	1,595,706	2,124,299	(528,592)

The cost of all governmental activities this year was \$6,531,392. The portion of this cost that was paid by signatory contributions was \$2,384,350, with the balance of costs being funded by grants, fees, miscellaneous income and interfund transfers.

Business-Type Activities

For the fiscal year ending June 30, 2014, water sales revenues decreased \$125,917, approximately 4%, to \$3,188,909. Net operating transfers out were \$1,865,934, down \$239,041 from fiscal 2013, partially due to a return of unused funds from the Comprehensive Plan Project. Non-operating revenues were \$1,237,389. This is \$1,027,559 better than fiscal 2013, mainly due to a combination of increased investment income and increased investment valuations. Operating expenses were \$1,049,373, down \$17,974 from fiscal 2013. These items are primarily responsible for net income of \$1,510,991 for the fiscal year ending June 30, 2014, \$1,158,657 greater than fiscal 2013.

The Commission's Funds

For the fiscal year ending June 30, 2014, the Commission's governmental funds reported a combined total of \$4,753,626 in fund equity, a decrease of \$239,633 from fiscal 2013. This is \$815,235 worse than fiscal 2013 results. Compared to 2013, signatory contributions decreased by \$150,000, due to a decrease of \$200,000 from the State of New Jersey that was partially offset by a \$50,000 increase from the Commonwealth of Pennsylvania. Special project revenue decreased \$582,592 with the 106, water pollution control grant leading the way, down by \$331,813.

General Fund Budgetary Highlights

The budget for the fiscal year ending June 30, 2014 has not been amended since its original adoption. For fiscal 2014, the Commission reported a total unfavorable variance of \$194,057.

Notable revenue variances include an unfavorable variance of \$715,000 in federal revenue, a \$150,000 favorable variance in revenue from the Commonwealth of Pennsylvania and a \$91,844 favorable variance in project review fees. Overall, there is an unfavorable revenue variance of \$507,759 for fiscal 2014.

Notable expense variances include favorable personal services and fringe benefits variances of \$94,043 and \$146,032 due to charges to special projects and position vacancies. The favorable variance in special and contractual services is due to lower than expected legal fees, under budget by \$172,471 and lower than expected technical and scientific services, under budget by \$159,562. The favorable variance in building and grounds of \$51,112 is largely due to

HVAC improvements that were not undertaken. Overall, there is a favorable expense variance of \$664,518.

The favorable variances in salaries and fringes can be correlated with an unfavorable variance of \$183,513 in transfers out that were necessary to cover unfunded charges to special projects. There is an unfavorable variance in transfers in of \$167,303 due mainly to lower than expected transfers from the water supply storage facilities fund.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the Commission reported \$6,535,335 in capital assets net of depreciation. Capital assets include equipment, furniture, building, building improvements and the Commission's share of construction costs for two federal water storage facilities: Beltzville Lake and Bluemarsh Lake.

Debt

As of June 30, 2014 the Commission had \$12,443,680 in long-term debt outstanding. This can be broken down into three categories:

- \$11,531,473 for loans due to the Army Corps of Engineers for construction of water storage facilities
- \$483,399 due to the State of New Jersey for the early retirement program that was adopted September 25, 1991
- \$428,808 for employees accrued leave time

The Government Accounting Standards Board (GASB) has issued Statement number 68 (GASB 68). This statement will require the Commission to recognize a long-term net pension liability for its participation in the State of New Jersey Public Employees Retirement Fund. The amount of this liability cannot be reasonably estimated at this time, but management believes that recognition of this liability will result in a substantial decrease to the general fund's unrestricted net position for the fiscal year ending June 30, 2015. On the other hand, the general fund's unassigned fund balance will not be significantly affected, because this liability will not be recognized in the fund-basis financial statements.

In addition, GASB has issued a proposed statement that addresses accounting for other post-employment benefits (OPEB), such as retiree health insurance. If this proposed statement is adopted by GASB, it will require the Commission to recognize the unfunded portion of its actuarially determined liability for retiree benefits. As of July 1, 2012, this liability was actuarially measured at \$5,216,693.

Economic Conditions and Outlook

As of June 30, 2014, the Commission reported \$4,073,604 in unrestricted net position. This represents the financial resources available to sustain the Commission's governmental activities after deducting reported liabilities and investment in capital assets. Significant factors that have had, and will continue to have an impact on the financial resources available to the Commission are the level of signatory party contributions and the liability for other post employment benefits.

Signatory party contributions represent a major source of funding for the Commission's governmental activities. The 100-year compact stipulates that the five signatory parties agree to support the Commission's annual budget. The federal government adhered to this legislative obligation for 35 years, paying its fair share of the Commission's annual operating budget.

A major issue has been the elimination of the federal signatory contribution in 1997. Since then, the federal government has provided a signatory contribution to the Commission only for the federal fiscal year ending September 30, 2009. As of June 30, 2014, the cumulative federal shortfall totals \$11.4 million. For the fiscal year ending June 30, 2014, the Commission did not receive a signatory contribution from the federal government.

The Commission continues its efforts to restore and maintain federal funding.

Effective July 1, 2003 and July 1, 2005, the Commission revised the fee schedule for the review of projects. Fees were also instituted for docket transfers and emergency certificates. This action has resulted in increased revenues from project review activities in fiscal years 2004 through 2013.

The Commission has entered into administrative agreements with the State of New Jersey, effective December 18, 2009 and the State of Delaware, effective July 28, 2010. These agreements modified existing agreements and could limit the scope of the Commission's project review activities in New Jersey and Delaware. This may result in reduced revenue from project review activities in future years. The Commission is currently in discussions with the States of New York and Pennsylvania regarding similar agreements that could limit the scope of project review activities in New York and Pennsylvania.

The Commission has promulgated draft rules and regulations associated with the development of natural gas in the Basin which, if adopted, will result in additional expenditures and revenues in future years.

The factors outlined above will pose significant challenges to the Commission in future years.

BASIC FINANCIAL STATEMENTS

A. Commission-Wide Financial Statements

Delaware River Basin Commission
Statement of Net Position
June 30, 2014
(With Comparative Totals as of June 30, 2013)

	General Fund	Special Projects	Governmental Activities	Business-Type Activities	Totals (Memorandum Only)	
					June 30, 2014	June 30, 2013
Assets:						
Cash and Cash Equivalents	\$ 5,001,491	\$ 1,067,198	\$ 6,068,689	\$ 1,723,809	\$ 7,792,498	\$ 7,541,688
Investments				20,634,771	20,634,771	19,447,976
OPEB Asset	8,272		8,272		8,272	25,377
Interest Receivable	15		15	131,031	131,046	137,853
Receivables (Net)						
Due From Other Governments	43,450	208,696	252,146		252,146	552,220
Interfund Receivable						1,440,000
Other	864		864		864	
Water Sales				830,249	830,249	825,000
Reimbursable Water Supply Storage Facility Costs				89,361	89,361	103,203
Prepaid Expenses	72,249	3,000	75,249		75,249	33,903
Capital Assets (Net)	871,109	425,379	1,296,488	5,238,847	6,535,335	6,908,862
Total Assets	\$ 5,997,450	\$ 1,704,273	\$ 7,701,723	\$ 28,648,068	\$ 36,349,791	\$ 37,016,082
Liabilities and Net Position:						
Accounts Payable	\$ 125,605	\$ 52,572	\$ 178,177	\$ 183,360	\$ 361,537	\$ 333,644
Interfund Payable						1,440,000
Accrued Interest				195,919	195,919	87,985
Employee Compensation and Benefits	100,271		100,271		100,271	33,012
Advances	26,839	1,212,452	1,239,291		1,239,291	1,714,256
Accrued Leave Time	405,272	13,870	419,142	9,666	428,808	498,589
Long-Term Liabilities:						
Early Retirement Program	386,478		386,478	96,921	483,399	509,758
Due To US Army Corps of Engineers						
Due Within One Year				456,734	456,734	498,180
Due Beyond One Year				11,074,739	11,074,739	11,311,891
Total Liabilities	1,044,465	1,278,894	2,323,359	12,017,339	14,340,698	16,427,315
Net Position (Deficit):						
Invested in Capital Assets, Net of Related Debt	871,109	425,379	1,296,488	(6,292,626)	(4,996,138)	(4,901,209)
Restricted	8,272		8,272		8,272	25,377
Unrestricted	4,073,604		4,073,604	22,923,355	26,996,959	25,464,599
Total Net Position	4,952,985	425,379	5,378,364	16,630,729	22,009,093	20,588,767
Total Liabilities and Net Position	\$ 5,997,450	\$ 1,704,273	\$ 7,701,723	\$ 28,648,068	\$ 36,349,791	\$ 37,016,082

The accompanying Notes to Financial Statements are an integral part of this statement.

B. Fund Financial Statements

Governmental Funds

Delaware River Basin Commission
Governmental Funds
Balance Sheet
June 30, 2014
(With Comparative Totals as of June 30, 2013)

	General Fund	Special Projects Funds	Totals (Memorandum Only)	
			June 30, 2014	June 30, 2013
Assets:				
Cash and Cash Equivalents	\$ 5,001,490	\$ 1,067,198	\$ 6,068,688	\$ 5,332,896
OPEB Asset	8,272		8,272	25,377
Interest Receivable	15		15	1
Accounts Receivable		208,696	208,696	552,220
Interfund Receivable	44,315		44,315	1,440,000
Prepaid Expenses	72,250	3,000	75,250	33,903
Total Assets	\$ 5,126,342	\$ 1,278,894	\$ 6,405,236	\$ 7,384,397
Liabilities and Fund Balances:				
Accounts Payable	\$ 125,605	\$ 52,572	\$ 178,177	\$ 330,109
Interfund Payable				180,000
Employee Compensation and Benefits	100,272		100,272	33,012
Advances	26,839	1,212,452	1,239,291	1,714,256
Accrued Vacation and Sick Time	120,000	13,870	133,870	133,761
Total Liabilities	372,716	1,278,894	1,651,610	2,391,138
Fund Balances:				
Committed:				
Early Retirement	300,000		300,000	300,000
Retirement Benefits Fund	8,272		8,272	25,377
Assigned:				
Designated for Vacation and Compensatory Time	175,000		175,000	175,000
Designated for Sick Pay Retirement	110,000		110,000	110,000
Designated for Completion of Special Projects	300,310		300,310	300,310
Unassigned	3,860,044		3,860,044	4,082,572
Total Fund Balances	4,753,626		4,753,626	4,993,259
Total Liabilities and Fund Balances	\$ 5,126,342	\$ 1,278,894		
Total net position reported for governmental activities in the statement of net position is different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,296,488	1,243,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(671,750)	(767,999)
Total Net Position of Governmental Activities			\$ 5,378,364	\$ 5,469,029

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	General Fund	Special Projects Funds	(Totals Memorandum Only)	
			June 30, 2014	June 30, 2013
Revenues:				
Signatory Party Contributions:				
State of Delaware	\$ 447,000	\$ 21,456	\$ 468,456	\$ 520,830
State of New Jersey	693,000	11,926	704,926	893,000
State of New York	246,000		246,000	246,000
Commonwealth of Pennsylvania	998,350	143,487	1,141,837	1,105,089
Federal Government United States		681,780	681,780	984,514
Sale of Publications	2,444		2,444	2,775
Project Review Fees	491,844		491,844	780,282
Investment Income				59
Fines, Assessments and Other Income	100,453	737,057	837,510	939,369
Total Revenues	2,979,091	1,595,706	4,574,797	5,471,918
Expenditures:				
Personal Services	2,462,957	670,154	3,133,111	3,185,201
Special and Contractual Services	196,963	890,437	1,087,400	1,324,809
Other Services	153,022	510	153,532	139,841
Supplies and Materials	46,115	21,139	67,254	64,757
Buildings and Grounds	195,038	76,339	271,377	250,725
Communications	25,884	1,555	27,439	23,755
Travel	56,737	6,112	62,849	32,529
Maintenance, Replacements				
Acquisitions and Rentals	83,748	25,572	109,320	100,683
Fringe Benefits and Other Contributions	1,399,568	368,514	1,768,082	1,788,616
Total Expenditures	4,620,032	2,060,332	6,680,364	6,910,916
Excess Expenditures Over Revenues	(1,640,941)	(464,626)	(2,105,567)	(1,438,998)
Other Financing Sources (Uses):				
Operating Transfers In	1,993,397	625,620	2,619,017	2,952,197
Operating Transfer (Out)	(546,513)	(206,570)	(753,083)	(847,222)
Total Other Financing Sources - Net	1,446,884	419,050	1,865,934	2,104,975
Net Change in Fund Balances	(194,057)	(45,576)	(239,633)	665,977
Fund Balance - Beginning of Year	4,947,683	45,576	4,993,259	4,327,282
Fund Balance - End of Year	\$ 4,753,626	\$	\$ 4,753,626	\$ 4,993,259

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (239,633)	\$ 665,977
<p>The change in net position reported for the governmental activities in the statement of activities is different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is all amortized over their estimated useful lives and reported as depreciation expense. This is the amount which capital assets of \$163,684 exceeds depreciation expense of \$110,967 in the current period.	52,717	8,214
Repayment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	69,892	636
Repayment of the liability for early retirement is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	<u>26,359</u>	<u>43,486</u>
Change in Net Position of Governmental Activities	<u>\$ (90,665)</u>	<u>\$ 718,313</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Proprietary Funds

Delaware River Basin Commission

Proprietary Funds
Statement of Net Position

June 30, 2014

(With Comparative Totals as of June 30, 2013)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only)	
		June 30, 2014	June 30, 2013
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,723,809	\$ 1,723,809	\$ 2,208,792
Investments	20,634,771	20,634,771	19,447,976
Other Interest Receivables A-1	131,031	131,031	137,852
Water Sales Receivables (Net)	830,249	830,249	825,000
Reimbursable Water Supply Storage Facility Costs	89,361	89,361	103,203
Total Current Assets	<u>23,409,221</u>	<u>23,409,221</u>	<u>22,722,823</u>
Noncurrent Assets:			
Land, Building and Improvements (net)	5,151,386	5,151,386	5,572,873
Furniture and Equipment (net)	87,461	87,461	92,220
Total Noncurrent Assets	<u>5,238,847</u>	<u>5,238,847</u>	<u>5,665,093</u>
Total Assets	<u>\$ 28,648,068</u>	<u>\$ 28,648,068</u>	<u>\$ 28,387,916</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 183,360	\$ 183,360	\$ 3,535
Interfund Payable			1,260,000
Accrued Interest	195,919	195,919	87,985
Due to US Army Corps of Engineers	456,734	456,734	498,180
Total Current Liabilities	<u>836,013</u>	<u>836,013</u>	<u>1,849,700</u>
Noncurrent Liabilities:			
Accrued Leave Time A-1			9,666
Accrued Vacation and Sick Time	9,666	9,666	9,666
Early Retirement Program	96,921	96,921	96,921
Due to US Army Corps of Engineers	11,074,739	11,074,739	11,311,891
Total Noncurrent Liabilities	<u>11,181,326</u>	<u>11,181,326</u>	<u>11,418,478</u>
Total Liabilities	<u>12,017,339</u>	<u>12,017,339</u>	<u>13,268,178</u>
Net Position (Deficit):			
Invested in Capital Assets, Net of Related Debt	(6,292,626)	(6,292,626)	(6,144,978)
Unrestricted	22,923,355	22,923,355	21,264,716
Total Net Position	<u>16,630,729</u>	<u>16,630,729</u>	<u>15,119,738</u>
Total Liabilities and Net Position	<u>\$ 28,648,068</u>	<u>\$ 28,648,068</u>	<u>\$ 28,387,916</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Proprietary Funds
Statement of Revenues, Expenditures and Changes in Net Position
Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only) June 30, 2014	June 30, 2013
Operating Revenues:			
Charges for Services:			
Water Sales	\$ 3,188,909	\$ 3,188,909	\$ 3,314,826
Total Operating Revenue	<u>3,188,909</u>	<u>3,188,909</u>	<u>3,314,826</u>
Operating Expenses:			
Special and Contractual Services	604,829	604,829	624,727
Depreciation	444,544	444,544	442,620
Total Operating Expenses	<u>1,049,373</u>	<u>1,049,373</u>	<u>1,067,347</u>
Operating Income	<u>2,139,536</u>	<u>2,139,536</u>	<u>2,247,479</u>
Nonoperating Revenues (Expenses):			
Investment Income	720,235	720,235	598,132
Realized Gain on Sale of Investments	504,318	504,318	116,114
Net Increase/(Decrease) in Fair Value of Investments	404,788	404,788	(78,227)
Interest Expense	(391,952)	(391,952)	(426,189)
Total Nonoperating Revenues	<u>1,237,389</u>	<u>1,237,389</u>	<u>209,830</u>
Net Income Before Operating Transfers	3,376,925	3,376,925	2,457,309
Net Operating Transfers (Out)	(1,865,934)	(1,865,934)	(2,104,975)
Change in Net Position	1,510,991	1,510,991	352,334
Total Net Position - Beginning of Year	<u>15,119,738</u>	<u>15,119,738</u>	<u>14,767,404</u>
Total Net Position - End of Year	<u>\$ 16,630,729</u>	<u>\$ 16,630,729</u>	<u>\$ 15,119,738</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Proprietary Funds
Statement of Cash Flows
For Year Ended June 30, 2014
(With Comparative Totals for Year Ended June 30, 2013)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only)	
		June 30, 2014	June 30, 2013
Cash Flows From Operating Activities:			
Cash Received from Water Users	\$ 3,183,660	\$ 3,183,660	\$ 3,331,084
Payments to Vendors and Suppliers	(425,003)	(425,003)	(854,832)
Net Cash Provided by Operating Activities	<u>2,758,657</u>	<u>2,758,657</u>	<u>2,476,252</u>
Cash Flows From Financing Activities:			
Operating Transfers to Other Funds	(1,865,935)	(1,865,935)	(2,104,975)
Net Cash Used In Noncapital and Related Financing Activities	<u>(1,865,935)</u>	<u>(1,865,935)</u>	<u>(2,104,975)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	(18,299)	(18,299)	(16,170)
Interest Paid	(284,018)	(284,018)	(551,714)
Principal Received	13,842	13,842	13,378
Internal Balances	(1,260,000)	(1,260,000)	780,000
Principal Paid	(278,598)	(278,598)	(607,953)
Net Cash Used In Capital and Related Financing Activities	<u>(1,827,073)</u>	<u>(1,827,073)</u>	<u>(382,459)</u>
Cash Flows From Investing Activities:			
Interest Received	727,055	727,055	612,020
Sale (Purchase) of Investment, Gross	(277,687)	(277,687)	(331,577)
Net Cash Provided by Investing Activities	<u>449,368</u>	<u>449,368</u>	<u>280,443</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(484,983)</u>	<u>(484,983)</u>	<u>269,261</u>
Cash and Equivalents - Beginning of Year	<u>2,208,792</u>	<u>2,208,792</u>	<u>2,208,792</u>
Cash and Equivalents - End of Year	<u>\$ 1,723,809</u>	<u>\$ 1,723,809</u>	<u>\$ 269,261</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 2,139,536	2,139,536	2,247,479
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Net Amortization	444,544	444,544	442,620
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(5,249)	(5,249)	16,258
Increase (Decrease) in Accounts Payable	179,826	179,826	(230,105)
Total Adjustments	<u>619,121</u>	<u>619,121</u>	<u>228,773</u>
Net Cash Provided by Operating Activities	<u>\$ 2,758,657</u>	<u>\$ 2,758,657</u>	<u>\$ 2,476,252</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies

Nature of Entity

The Delaware River Basin Commission (the "Commission") was formed in 1961 by agreement among the U.S. Government and the States of Delaware, New Jersey, New York and the Commonwealth of Pennsylvania for the purpose of developing and implementing plans, policies and projects relating to the water resources of the Delaware River Basin.

The accompanying financial statements of the Delaware River Basin Commission have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Commission has implemented these standards for the fiscal year-ending June 30, 2004 and future periods. With the implementation of GASB Statement 34, the Commission has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Commission has implemented the following GASB Statements: Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement 38 – *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures* and Statement 44 – *Economic Condition Reporting – The Statistical Section*.

In July 2004, the GASB issued Statement 45 *Accounting for Other Post-Employment Benefits*. The Commission has implemented this statement beginning in the fiscal year ending 2010.

The accompanying financial statements present the financial position of the Commission, the results of operations of the Commission and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2014 for the year then ended.

A. Reporting Entity:

Governmental accounting principles require the financial reporting entity to include the primary government, organizations for which the primary government is financially accountable and other organizations, for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the Commission has no component units and the reporting entity is composed solely of the primary government.

B. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by signatory and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment, are financed by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Signatory revenues and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 365 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Signatory revenues, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Commission receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission Reports the Following Major Governmental Funds:

General Fund – It is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from signatory revenues, state and federal grants, fees for services. Many of the basic activities of the Commission are accounted for in this fund, including the daily operations of the Commission.

Special Projects Fund – It is used to account for specific revenue sources related to the provisions imposed by outside agencies or the Commission for services that are restricted to expenditures for those specified purposes.

Enterprise Fund – This is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Commission has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

The Commission Reports the Following Major Proprietary Fund:

The Water Supply Storage Facilities Fund - is used to account for the operations of the Water Storage Facility that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use unrestricted resources first, and then use restricted resources as they are needed for their intended purposes.

D. Assets, Liabilities and Net Assets or Equity

1. **Cash and Cash Equivalents** - For purposes of the accompanying statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
2. **Inter-fund Receivables and Payables** – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “inter-fund receivable/payable”.
3. **Investments** – Investments are reported at fair value based on quoted market prices.
4. **Capital Assets** – Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historic costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following intended useful lives:

Asset	Years
Buildings and Improvements	40 to 60
Machinery and Equipment	3 to 20
Water Supply Storage Facilities	50

5. **Allowance for Doubtful Accounts** – Accounts receivable has been reported net of allowance for doubtful accounts.
6. **Accrued Vacation and Sick Time** – The Commission had a liability of \$428,808, representing vacation and sick time earned by employees as of June 30, 2014 (p.14). Of this amount, \$419,142 is reported as a liability of governmental activities and \$9,666 is shown as a liability of business-type activities. In the governmental funds – balance sheet (p.18), liabilities of \$120,000 and \$13,870 were reflected in the General Fund and Special Projects Fund, respectively. There is also designated equity of \$285,000 for paid leave in the General Fund. In the Proprietary Fund Type Statement of Net Assets, a liability of \$9,666 is reflected for its portion of accrued vacation and sick time.
7. **Long-Term Obligations** – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. **Advances** – Advances reported in government-wide financial statements represent unearned revenues. The advances will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Advances reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenue. The Commission deems revenue received within 365 days of the year-end to be available.
9. **Net Position/Fund Balances** – The governmental-wide and business-type activities fund financial statements utilize a net position presentation.

Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- **Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by laws through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents net assets of the Commission, not restricted for any project or other purpose.

The Commission has established a policy of classifying fund balances in accordance with GASB #54 as follows:

- **Committed Fund Balance** - amounts constrained to specific purposes by the Commission itself, using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the highest level action to remove or change the constraint. Presently amounts are committed for early retirement and post-employment health insurance that are actuarially determined.
- **Assigned Fund Balance** - amounts the Commission intends to use for a specific purpose. Presently amounts are assigned for sick and vacation compensation and for completion of special projects.
- **Unassigned Fund Balance** - amounts that are available for any purpose. These amounts are reported only in the general fund.

The management of the Commission has the authority to express intended use of resources of resources in the assignment of fund balance, whereas a Commission resolution is required to express intended use of resources that results in a commitment of fund balance.

10. **Inter-fund Transactions** – quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

11. **Accounting Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimated.
12. **Adoption of Governmental Accounting Standards** – The Commission adopted the provisions of GASB's Statement No. 23, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures*; Statement 44 – *Economic Condition Reporting – The Statistical Section* and Statement 45 – *Accounting for Other Post-Employment Benefits*; Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

The adoption of these statements resulted in a comprehensive modification of the financial reporting required for the Commission. The statements require the presentation of the Government-wide Financial Statements, which had not been previously reported. The fund level financial statements required by these statements are similar to the financial statements that have been previously issued by the Commission. The adoption of the statements does not affect the amounts that were previously reported by the Commission at the fund level.

Note 2. Budgets

The General Fund is under formal budgetary control as required by management of the Commission. The budget reflected in the financial statements was prepared generally on the same basis used to account for actual results and consists of those amounts contained in the formal budget, as approved and amended by the Delaware River Basin Board of Commissioners.

Note 3. Cash, Cash Equivalents and Investments

The Commission has a written investment policy for the General Fund, Special Projects Fund and the Water Supply Storage Facilities Fund. The policy provides guidance on the scope, general objectives, standards of care, safekeeping and custody, suitable and authorized investments, investment parameters, reporting and policy considerations, prohibited types of transactions and collateralization.

The policy provides for the General Fund and Special Projects Funds the following authorized investments:

- a) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations that have a liquid market with a readily determinable market value;
- b) Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1);
- c) Investment grade obligations of the Compact Signatories;
- d) Local government investment pools, either state administered or administered through joint power statutes and other intergovernmental agreement legislation.

The policy provides for the Water Supply Storage Facilities Fund that the target asset allocation ratio will be 30% (+/-5%) allocated to equities and 70% (+/-5%) allocated to fixed income and money market investments and that the portfolio should be rebalanced to fall within the target ratio at least every 6 months.

Additionally the Commissioners have authorized the Executive Director to utilize the services of professional asset managers. The Commission has retained the firms of Valley Forge Asset Management

and Wilmington Trust Investment Management, LLC. These firms are currently managing assets of the Water Supply Storage Facilities Fund that are in the Commission's name and in the custody of Susquehanna Trust & Investment Company and Wilmington Trust Company respectively, consistent with the Commission's investment policy.

The following table shows the cash and investments of the Commission as of 6/30/2014 at fair market value:

	General Fund	Special Projects Fund	Water Supply Storage Facilities Fund	Totals
Cash and Cash Equivalents:				
Cash on Hand	\$ 400	\$	\$	\$ 400
Cash-Wells Fargo Bank	791,345	23,454	455,905.00	1,270,704
Cash Equivalents-New Jersey Cash Management Fund	3,085,280	1,043,744	6,249.00	4,135,273
Cash Equivalents-US Bank	1,124,466			1,124,466
Cash Equivalents-Susquehanna Trust & Investment Company			257,217.00	257,217
Cash Equivalents-Wilmington Trust Company			1,004,438.00	1,004,438
Total Cash and Cash Equivalents	\$ 5,001,491	\$ 1,067,198	\$ 1,723,809.00	\$ 7,792,498
Investments:				
Federal Obligations-Susquehanna Trust & Investment Company	\$	\$	\$ 840,096	\$ 840,096
State Obligations-Susquehanna Trust & Investment Company			876,080	876,080
Corporate Obligations-Susquehanna Trust & Investment Company			5,173,911	5,173,911
Municipal Obligations-Susquehanna Trust & Investment Company			758,182	758,182
Equities-Susquehanna Trust & Investment Company			2,972,412	2,972,412
Subtotal Susquehanna Trust & Investment Company	\$	\$	\$ 10,620,681	\$ 10,620,681
Federal Obligations-Wilmington Trust Company	\$	\$	\$ 3,407,325	\$ 3,407,325
Corporate Obligations-Wilmington Trust Company			3,042,112	3,042,112
Equities-Wilmington Trust Company			3,564,653	3,564,653
Subtotal Wilmington Trust Company	\$	\$	\$ 10,014,090	\$ 10,014,090
Total Investments	\$	\$	\$ 20,634,771	\$ 20,634,771
Total Cash, Cash Equivalents and Investments	\$ 5,001,491.00	\$ 1,067,198.00	\$ 22,358,580	\$ 28,427,269

Cash held at Wells Fargo Bank was in the name of the Commission and secured by a tri-party collateralization agreement. The collateral is held by the Bank of New York and is not in the Commission's name.

The New Jersey Cash Management Fund is a pooled fund managed by the State of New Jersey, and is neither insured by a third party or collateralized.

U.S. Bank cash equivalents are invested in a Government Obligations Fund. This fund invests exclusively in short-term U.S. government securities and repurchase agreements secured by U.S. government securities.

Susquehanna Trust & Investment Company cash equivalents are invested in a short-term Federal Government obligations fund.

Wilmington Trust Company cash equivalents are invested in a short-term fund comprised of both federal and corporate securities of the highest rating.

The following table shows the fair value of federal, state, municipal and corporate obligations held by maturity range of June 30, 2014:

Maturity	Municipal Obligations	Corporate Obligations	State Obligations	Federal Obligations	Total
Less than 1 year	\$	\$ 355,402	\$ 202,904	\$ 405,932	\$ 964,238
1 to 5 years	100,032	4,350,930	104,214	3,000,143	7,555,319
5 to 10 years	658,150	3,509,691	568,962	841,346	5,578,149
10 to 15 years					
Totals	\$ 758,182	\$ 8,216,023	\$ 876,080	\$ 4,247,421	\$ 14,097,706

The following table displays the fair value of corporate obligations, by Standard & Poor rating as of June 30, 2014:

Corporate Obligations

A	\$ 1,909,294
A-	940,211
A+	766,298
A1	152,607
A2	121,484
A3	325,541
AA	331,839
AA-	1,011,387
AA1	40,034
AA2	126,642
AA3	285,096
AAA	20,257
BAA1	831,906
BAA2	806,636
BAA3	331,909
BBB+	214,882
Totals	\$ 8,216,023

Equity investments held by Susquehanna Trust & Investment Company (for the Commission's account with Valley Forge Asset Management), Wilmington Trust Company (for the Commission's account with Wilmington Trust Investment Management Company, LLC) and ICMA RC are unsecured and subject to market risk.

Investment Interest Rate Risks - Interest rate risk is the risk that the value of the Commission's investments in debt obligations will decline due to changes in interest rates. The Commission's investment policy seeks to minimize interest rate risk by:

- a) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- b) Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Custodial Credit Risk- Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized. The Commission's investment policy seeks to minimize custodial credit risk by:

- a) Limiting investments to the safest types of securities
- b) Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisers with which the Commission will do business
- c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The Commission maintains several bank accounts at Wells Fargo Bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, these accounts are secured by a \$2,000,000 tri-party collateralization agreement. At no time during the year did the combined total of all bank accounts held at Wells Fargo Bank exceed the sum total of the FDIC insurance and required collateralization.

In addition, as noted above, deposits with Wells Fargo Bank are secured by a tri-party collateral agreement.

Concentration of Credit Risk-The Commission's investment policy seeks to limit the concentration of credit risk through diversification by:

- a) Limiting investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities)
- b) Limiting investment in securities that have high credit risks.

As of June 30, 2014, the Commission does not have an investment in any one issuer that represents 5% or more of its net assets, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pool and other pooled investments.

Note 4. Capital Assets:

Capital asset activity for the year ending June, 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1	\$	\$	\$ 1
Total Capital Assets Not Being Depreciated	\$ 1	\$	\$	\$ 1
Capital Assets Being Depreciated:				
Building & Improvements	\$ 2,108,909	\$ 88,380	\$	\$ 2,197,289
Furniture & Equipment	1,203,211	75,302		1,278,513
Total Capital Assets Being Depreciated	\$ 3,312,120	\$ 163,682	\$	\$ 3,475,802
Less: Accumulated Depreciation for:				
Building & Improvements	(1,070,974)	(52,357)		(1,123,331)
Furniture & Equipment	(997,377)	(58,606)		(1,055,983)
Total Accumulated Depreciation	(2,068,351)	(110,963)		(2,179,314)
Total Capital Assets Being Depreciated Net	1,243,769	52,719		1,296,488
Governmental Activities Capital Assets Net	\$ 1,243,769	\$ 52,719	\$	\$ 1,296,488
Water Supply Storage Facilities:				
Capital Assets Being Depreciated:				
Water Supply Storage Facilities	\$ 21,074,316	\$	\$	\$ 21,074,316
Furniture & Equipment	128,839	18,299		147,138
Total Capital Assets Being Depreciated	21,203,155	18,299		21,221,454
Less: Accumulated Depreciation for:				
Water Supply Storage Facilities	(15,501,443)	(421,487)		(15,922,930)
Furniture & Equipment	(36,619)	(23,058)		(59,677)
Total Accumulated Depreciation	(15,538,062)	(444,545)		(15,982,607)
Business-Type Capital Assets Being Depreciated Net	\$ 5,665,093	\$ (426,246)	\$	\$ 5,238,847

Depreciation expense was charged to functions/programs of the Commission as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 1,920,063	\$ 82,461	\$	\$ 2,002,524
Special Projects	148,288	28,502	\$	176,790
Total Depreciation Expense- Governmental Activities	\$ 2,068,351	\$ 110,963	\$	\$ 2,179,314
Business-Type Activities:				
Water Supply Storage Facilities	15,538,062	444,545	\$	15,982,607
Total Depreciation Expense- Business-Type Activities	<u>\$ 15,538,062</u>	<u>\$ 444,545</u>	<u>\$</u>	<u>\$15,982,607</u>

Note 5. Reimbursable Water Supply Storage Facility Costs

The financial statements reflect a receivable from Western Berks Water Authority for construction costs financed by the Commission for a specific outlet pipe in the Blue Marsh Water Supply Storage Project. Principal and interest payments are due quarterly in the approximate amount of \$4,354 in January, April, July and October at an interest rate of 3.463%. Repayment terms as of June 30, 2014, require the following principal and interest payments:

Fiscal Years Ending June 30	Principal	Interest	Total
2015	\$ 14,321	\$ 3,094	\$ 17,415
2016	14,816	2,599	17,415
2017	15,329	2,086	17,415
2018	15,861	1,554	17,415
Thereafter	<u>29,034</u>	<u>1,443</u>	<u>30,477</u>
Total	<u>\$ 89,361</u>	<u>\$ 10,776</u>	<u>\$ 100,137</u>

Note 6. Long-Term Liabilities

Amount Due to U.S. Army Corps of Engineers

The Commission has agreed to reimburse the U.S. Army Corps of Engineers for costs related to the construction of the water supply storage facilities at the Beltzville and Blue Marsh Projects. Repayment of the Beltzville project's cost requires annual payments of \$253,499 continuing through 2030. Repayment of the Blue Marsh Project requires annual payments of \$607,643 through 2028, and thereafter \$309,118 annually through 2038. These payments include interest at an average rate of approximately 3%. Interest expense is recognized over the terms of the obligations. The Commission is responsible for a yearly pro rata share of operational maintenance and replacement costs of these projects. Interest expense for the year ended June 30, 2014 was \$484,776. Water sales revenue and investment income are used to pay operating expenses and debt service.

A summary of changes in long-term obligations is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities					
Other Post-Employment Benefits	\$	\$	\$	\$	\$ 606,918
Compensated Absences	488,923		(69,781)	419,142	120,000
Early Retirement	412,837		(26,359)	386,478	82,518
Total Other Liabilities	901,760		(96,140)	805,620	809,436
Governmental Activities Long-Term Liabilities	\$ 901,760		\$ (96,140)	\$ 805,620	\$ 809,436
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds and Notes Payable:					
Due to Army Corps of Engineers	\$ 11,810,071	\$	\$ (278,598)	\$ 11,531,473	\$ 472,315
Total Bonds and Notes Payable	11,810,071		(278,598)	11,531,473	472,315
Other Liabilities:					
Compensated Absences	9,666			9,666	
Early Retirement	96,921			96,921	
Total Other Liabilities	106,587			106,587	
Business-Type Activities Long-Term Liabilities	\$ 11,916,658	\$	\$ (278,598)	\$ 11,638,060	\$ 472,315

An analysis of debt service requirements to maturity of the amount due to the Army Corps of Engineers follows:

Fiscal Years Ending June 30,	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2015	\$ 472,315	\$ 388,827	\$ 861,142
2016	488,428	372,714	861,142
2017	505,091	356,051	861,142
2018	522,324	338,818	861,142
2019	540,146	320,996	861,142
2020-2024	2,990,117	1,315,594	4,305,711
2025-2029	3,237,875	769,288	4,007,163
2030-2034	1,461,680	337,408	1,799,088
2035-2038	1,313,497	221,501	1,534,998
	<u>\$ 11,531,473</u>	<u>\$ 4,421,197</u>	<u>\$ 15,952,670</u>

Note 7. Employee Retirement Plan

The Commission participates in a contributory defined benefit retirement plan under the State of New Jersey's Public Employees' Retirement System (PERS), a cost-sharing multi-employer plan and covers all employees.

The vesting and benefit provisions are set by *N.J.S.A.43:15A* and *43:3B*. The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. Information relating to the plan is included in the PERS of New Jersey Annual Report and may be obtained by contacting:

State of New Jersey
Department of the Treasury
Division of Pensions & Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
(609) 292-7524

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. 1994, and Chapter 115, P.L. 1997, and requires contributions by active members and contributing employers. Plan members and employer contributions may be amended State of New Jersey legislation. Members contribute at a uniform rate of 6.64% of base salary; Member contributions will continue to increase each year on July 1 until the final increase on July 1, 2018 when a contribution rate of 7.5% is reached. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances and cost-of-living adjustments.

Employer contributions are actuarially determined by PERS. Employee contributions are calculated as a percentage of salary, which varies with the employee's age at the time of enrollment. The Commission's contribution requirements for the years ended June 30, 2014, 2013 and 2012 were \$342,020, \$352,749 and \$337,528.

The Governmental Account Standards Board has issued Statement No. 67, "Financial Reporting for Pensions Plans" effective for financial statements for fiscal years beginning after June 15, 2013, and Statement No. 68, "Accounting and Financial Reporting for Pension Plans" effective for fiscal years beginning after June 15, 2014. The objective of the statements is to improve information about financial support for pensions and improve financial reporting and accounting by state and local governmental pension plans.

Statement No. 67 requires defined benefit pension plans to present two financial statements; a statement of fiduciary net position and a statement of changes in fiduciary net position, and requires additional disclosures about pension plan investments, assumptions used for the calculation of total pension liability, and the portion of present value of projected benefit payments attributable to members' past service credit.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows, and expenses and requires the calculation and recording of a net pension liability and subsequent recognition of the unfunded liability in the financial statements of individual employers participating in the plans, including a proportionate share of annual changes in the actuarial valuation.

The Commission will receive information from the State of New Jersey for inclusion in its financial statements and disclosures. The Commission plans to implement these standards for its fiscal year ending June 30, 2015.

As of this writing, the amount of the net pension liability applicable to the Commission cannot be estimated. But the recognition of the net pension liability will probably result in a substantial decrease to unrestricted equity in the Commission-Wide financial statements for the year ending 6/30/2015.

Note 8. Retirement Health Care Benefits

In addition to the pension benefits described in Note 7, the Commission provides retirement health care benefits in accordance with its policies and procedures to all employees with 25 or more years of service in PERS who retire from the Commission, employees who attain the age of 62 with 15 years of service and employees who retire on disability pensions. On July 20, 2005, the Commission adopted provisions of *N.J.S.A.52:14-17.38* (Resolution 2005-14) under which public employers may agree to pay for State Health Benefit Programs coverage of certain retirees. Consistent with this provision, the Commission established classes of employees whose benefits will vary based on date of hire and years of credited service in PERS, as well as with the Commission. The adoption of these new provisions will have no impact on the benefits provided to retirees currently receiving said benefits or employees who earned benefits as provided for under the former rules prior to January 1, 2006.

On June 28, 2011, New Jersey Chapter 78, P.L. 2011 became effective. The law had no material effect on retirement health care benefits in the current year but will impact subsequent years. Present Commission policy requires a contribution greater than what is required by Chapter 78. If the currently established rate remains unchanged, Chapter 78 requirements will become effective.

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) requiring full disclosure of present and future costs relating to other post-employment benefits (OPEB) in the Commission's financial statements starting with the fiscal year ending June 30, 2010. The retirement health care benefits the Commission provides are within the scope of GASB 45.

In July 2008 the Commission adopted a resolution for the minutes authorizing the procurement of actuarial services for the purpose of evaluating the cost of retirement health benefits of present and future retirees. Brown & Brown Consulting was hired to perform these services and in September 2008, issued a management report for the Commission's retiree health program. The findings are summarized below.

The Commission provides eligible retirees with medical and prescription drug coverage paid by the employer and reimburses eligible retirees for Medicare Part B premiums. GASB 45 requires financial statement recognition of the cost of these benefits when earned by employees rather than when paid out. Employers are required to measure and disclose the annual OPEB cost based upon the employers annual required contribution (ARC). The ARC is the employer's periodic annual contribution calculated in accordance with GASB 45 parameters. The ARC includes the normal cost for the year plus amortization, not to exceed 30 years, of the total unfunded actuarial accrued liabilities.

The Commission's current actuarial report issued by Brown & Brown concludes that as of July 1, 2012 the Commission's unfunded actuarial accrued liability is \$5,216,693 for a funded plan and \$7,176,680 for an unfunded plan. The resulting annual required contribution (ARC) required by the Commission is \$607,034 for a funded plan and \$748,337 for an unfunded plan. In 2009, the DRBC opted for a funded plan and, as required, established an irrevocable trust to receive contributions to fund actuarially determined liabilities.

The calculated ARC contains normal cost and amortization amounts as follows:

	<u>Unfunded Basis</u>	<u>Funded Basis</u>
Normal Cost	\$ 307,750	\$ 207,553
Amortization Amount	<u>440,587</u>	<u>399,481</u>
Annual Required Contribution	<u>\$ 748,337</u>	<u>\$ 607,034</u>

The actuarial method and assumptions used to derive the above liability and expense amounts are as follows:

Actuarial Method- Projected unit credit cost method as described under GASB 45.

Service Cost- Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit allocated to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula.

Accumulated Postretirement Benefit Obligation Assumptions- (the actuarial present value of benefits allocated to all periods prior to the valuation year):

Measurement Date- July 1, 2012.

Discount Rate- 4.50% unfunded basis; 6.50% funded basis.

Medical Trend- 9.0% and an ultimate rate of 5% beginning in 2020.

Mortality- RP 2000 Combined Healthy Mortality Table.

Retirement Age- Earlier of age 65 with completion of 15 years of service, or age 62 with 25 years of service.

Participating Retirees- 100%

Demographic Data:

Number of Retirees and Surviving Spouses- 25

Average Age- 74.3 years

Active Employees- 42

Average Age- 49.3

The Commission subsequently opted for a funded plan. On October 22, 2009 the Commission adopted resolution 2009-9, authorizing the creation of an IRC Section 115 integral part trust and the utilization of an employer savings and investment program offered by ICMA Retirement Corporation. Also on October 22, 2009 the Commission adopted resolution 2009-10 to amend the Commission's investment policy to allow investment in an integral part trust for the exclusive purpose of funding post-employment health benefits.

On November 30, 2009 The Delaware River Basin Commission Integral Part Trust was established with ICMA Retirement Corporation.

The following table shows the activity in the Trust since FY 2010:

Fiscal Year	Contribution	Outlays	ARC	Totals
2010	\$ 449,000	\$ 277,468	\$ (566,000)	\$ 160,468
2011	358,303	270,199	(566,000)	62,502
2012	343,029	307,741	(566,000)	84,770
2013		324,671	(607,034)	(282,363)
2014	280,569	309,245	(606,918)	(17,104)
OPEB Asset at 6/30/2014				<u>\$ 8,273</u>

In May 2014, the Government Accounting Standards Board (GASB) issued proposed statements detailing how state and local governments should account for and report postemployment benefits (OPEB), such as retiree health insurance. The guidance in these proposed statements, if adopted, will significantly change how the Commission calculates and reports the annual costs and long-term liability associated with OPEB. A major provision of the statement would require the recognition and reporting a net OPEB liability on the face of the Commission's financial statements. The recognition of the net OPEB liability would result in a substantial decrease to unrestricted equity in the Commission-Wide financial statements in the year it is implemented.

Note 9. Operating Transfers

Inter-fund transfers are executed as a result of the requirements for the General Fund to match a portion of the expenses of the other funds. Inter-fund operating transfers are as follows:

	Transfers From Other Funds	Transfers To Other Funds
Governmental Funds:		
General Fund	\$ 1,993,397	\$ 546,513
Special Projects Fund	625,620	206,499
Total Governmental Funds	<u>2,619,017</u>	<u>753,012</u>
Enterprise Funds:		
Water Supply Storage Facilities Fund	<u>132,922</u>	<u>1,998,927</u>
Total	<u>\$ 2,751,939</u>	<u>\$ 2,751,939</u>

Note 10. Early Retirement Program

On September 25, 1991, the Delaware River Basin Commission adopted Resolution 91-7. This resolution authorized the Commission to participate in the State of New Jersey Early Retirement Incentive Program. As of June 30, 2013, certain employees have exercised their option to retire utilizing the Early Retirement Incentive Program. Based on information provided to the Commission, the present value of the estimated additional pension liability for these employees' totals \$483,399 at June 30, 2014, of which \$386,478 has been recorded in the Governmental Activities and \$96,921 has been recorded in the Proprietary Fund. This additional liability is to be paid over a period of 26 years. Payments made for this program during the year ended June 30, 2014, were \$80,576.

Note 11. Federal Contribution

The Energy and Water Appropriations Bill (P.L. 104-206) eliminated federal funding for the Delaware River Basin Commission for the federal fiscal year 1997 (October 1, 1997 through September 30, 1998). The federal government has not provided a contribution since 2009. The Commission continues its efforts to restore federal funding.

Note 12. Litigation

The Commission is subject to litigation and threats of litigation arising out of its activities. In June of 2013 the Commission received notice from landowners asserting that they have been financially harmed as a result of the Commission's imposition of a moratorium on its consideration of natural gas well projects in shale formations in the Basin. The moratorium continues pending completion of natural gas rulemaking. The Commission believes the landowners' assertions are without merit, and if litigation is commenced, the Commission will vigorously defend. The amount or range of reasonably possible loss resulting from such litigation, if and when it is commenced, cannot reasonably be estimated at this time.

Note 13. Subsequent Events

The Commission has evaluated subsequent events occurring after June 30, 2014 through the date of December 8, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred which require disclosures in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART 2

C. Budgetary Comparison Schedules

**Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2014 and 2013**

	2014		Variance Final To Actual Favorable (Unfavorable)	2013		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual		Original Budget	Actual	
Revenues:						
Signatory Party Contributions:						
State of Delaware	\$ 447,000	\$ 447,000	\$	\$ 447,000	\$ 447,000	\$
State of New Jersey	693,000	693,000		893,000	893,000	
State of New York	246,000	246,000		246,000	246,000	
Commonwealth of Pennsylvania	848,350	998,350	150,000	848,350	948,350	100,000
United States	715,000		(715,000)			
Sale of Publications	2,700	2,444	(256)	2,700	2,775	75
Project Review Fees	400,000	491,844	91,844	500,000	780,282	280,282
Investment Income	2,500		(2,500)	340,000		(340,000)
Fines, Assessments and Other Income	132,300	100,453	(31,847)	32,300	30,213	(2,087)
Total Revenues	3,486,850	2,979,091	(507,759)	3,309,350	3,347,620	38,270

Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2014 and 2013

	2014		Variance Final To Actual Favorable (Unfavorable)	2013		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual		Original Budget	Actual	
Expenditures:						
Personal Services	\$ 2,557,000	\$ 2,462,957	\$ 94,043	\$ 2,861,100	\$ 2,594,141	\$ 266,959
Special and Contractual Services	528,300	196,963	331,337	388,650	228,557	160,093
Other Services	156,000	153,022	2,978	166,000	139,841	26,159
Supplies and Materials	69,000	46,115	22,885	72,000	45,503	26,497
Buildings and Grounds	246,150	195,038	51,112	191,000	163,709	27,291
Communications	23,500	25,884	(2,384)	23,500	20,462	3,038
Travel	42,000	56,737	(14,737)	37,000	26,765	10,235
Maintenance, Replacements						
Acquisitions and Rentals	117,000	83,748	33,252	125,000	71,827	53,173
Fringe Benefits and Other Contributions	1,545,600	1,399,568	146,032	1,597,100	1,465,882	131,218
Total Expenditures	5,284,550	4,620,032	664,518	5,461,350	4,756,687	704,663
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,797,700)	(1,640,941)	156,759	(2,152,000)	(1,409,067)	742,933
Other Financing Sources/(Uses):						
Operating Transfers (In)	2,160,700	1,993,397	(167,303)	2,515,000	2,616,238	101,238
Operating Transfer (Out)	(363,000)	(546,513)	(183,513)	(363,000)	(239,984)	123,016
Total Other Financing Sources and Uses	1,797,700	1,446,884	(350,816)	2,152,000	2,376,254	224,254
Net Change in Fund Balances		(194,057)	(194,057)		967,187	967,187
Fund Balance - Beginning of Year	4,947,683	4,947,683		3,980,496	3,980,496	
Fund Balance - End of Year	<u>\$ 4,947,683</u>	<u>\$ 4,753,626</u>	<u>\$ (194,057)</u>	<u>\$ 3,980,496</u>	<u>\$ 4,947,683</u>	<u>\$ 967,187</u>

See Independent Auditors' Report

STATISTICAL SECTION UNAUDITED

Delaware River Basin Commission
Net Position (Deficit) By Component
Last Six Years
(Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ending June 30,					
	2014	2013	2012	2011	2010	2009
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 1,296,488	\$ 1,243,769	\$ 1,235,557	\$ 1,277,349	\$ 1,375,737	\$ 1,436,465
Restricted	8,272	25,377				
Unrestricted	<u>4,073,604</u>	<u>4,199,883</u>	<u>3,605,541</u>	<u>4,008,618</u>	<u>4,838,436</u>	<u>4,357,899</u>
Total Governmental Activities Net Position	<u>\$ 5,378,364</u>	<u>\$ 5,469,029</u>	<u>\$ 4,841,098</u>	<u>\$ 5,285,967</u>	<u>\$ 6,214,173</u>	<u>\$ 5,794,364</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ (6,292,626)	\$ (6,144,978)	\$ (6,326,483)	\$ (6,262,062)	\$ (6,408,697)	\$ (6,230,944)
Unrestricted	<u>22,923,355</u>	<u>21,264,716</u>	<u>21,093,887</u>	<u>20,110,038</u>	<u>19,134,023</u>	<u>18,333,970</u>
Total Business-Type Activities Net Position	<u>\$ 16,630,729</u>	<u>\$ 15,119,738</u>	<u>\$ 14,767,404</u>	<u>\$ 13,847,976</u>	<u>\$ 12,725,326</u>	<u>\$ 12,103,026</u>
Commission-Wide						
Invested in Capital Assets, Net of Related Debt	\$ (4,996,138)	\$ (4,901,209)	\$ (5,090,926)	\$ (4,984,713)	\$ (5,032,960)	\$ (4,794,479)
Restricted	8,272	25,377				
Unrestricted	<u>26,996,959</u>	<u>25,464,599</u>	<u>24,699,428</u>	<u>24,118,656</u>	<u>23,972,459</u>	<u>22,691,869</u>
Total Commission Net Position	<u>\$ 22,009,093</u>	<u>\$ 20,588,767</u>	<u>\$ 19,608,502</u>	<u>\$ 19,133,943</u>	<u>\$ 18,939,499</u>	<u>\$ 17,897,390</u>

See Independent Auditors' Report

Delaware River Basin Commission
Changes in Net Position - (Accrual Basis of Accounting)
Last Six Fiscal Years - Unaudited

Exhibit D-2
(Page 1 of 2)

	Fiscal Year Ended June 30,					
	2014	2013	2012	2011	2010	2009
Expenses:						
Primary Government: (from A-2)						
General Government	\$ 2,695,492	\$ 2,737,337	\$ 2,894,334	\$ 2,868,603	\$ 2,525,297	\$ 960,070
Planning and Implementation	628,351	555,555	532,990	695,950	452,905	433,338
Water Resources Management	894,246	1,047,420	1,112,246	1,065,528	1,035,190	1,003,843
Modeling and Monitoring	326,237	450,034	649,476	676,179	633,765	1,045,381
Special Projects	<u>1,987,066</u>	<u>2,068,231</u>	<u>1,538,918</u>	<u>1,610,687</u>	<u>2,039,383</u>	<u>2,840,222</u>
Total Government Activities	<u>6,531,392</u>	<u>6,858,577</u>	<u>6,727,964</u>	<u>6,916,947</u>	<u>6,686,540</u>	<u>6,282,854</u>
Business-Type Activities:						
Water Supply Storage Facilities (from A-2)	<u>1,441,325</u>	<u>1,493,536</u>	<u>1,337,685</u>	<u>1,469,744</u>	<u>1,275,279</u>	<u>1,427,350</u>
Total Business-Type Activities	<u>1,441,325</u>	<u>1,493,536</u>	<u>1,337,685</u>	<u>1,469,744</u>	<u>1,275,279</u>	<u>1,427,350</u>
Total Primary Government	<u>\$ 7,972,717</u>	<u>\$ 8,352,113</u>	<u>\$ 8,065,649</u>	<u>\$ 8,386,691</u>	<u>\$ 7,961,819</u>	<u>\$ 7,710,204</u>
Program Revenues:						
Government Activities:						
Charges for Services:						
Project Review Fees	\$ 491,844	\$ 780,281	\$ 954,476	\$ 448,296	\$ 876,021	\$ 366,912
Operating Grants and Contributions	<u>1,595,706</u>	<u>2,124,299</u>	<u>1,165,723</u>	<u>1,358,461</u>	<u>1,583,973</u>	<u>1,602,338</u>
Total Governmental Activities Program Revenue	<u>2,087,550</u>	<u>2,904,580</u>	<u>2,120,199</u>	<u>1,806,757</u>	<u>2,459,994</u>	<u>1,969,250</u>
Business-Type Activities:						
Charges for Services:						
Water Supply Storage Facilities	<u>3,188,909</u>	<u>3,314,826</u>	<u>3,417,057</u>	<u>2,860,915</u>	<u>2,498,258</u>	<u>2,592,260</u>
Total Business-Type Activities Program Revenue	<u>3,188,909</u>	<u>3,314,826</u>	<u>3,417,057</u>	<u>2,860,915</u>	<u>2,498,258</u>	<u>2,592,260</u>
Total Commission Program Revenues	<u>\$ 5,276,459</u>	<u>\$ 6,219,406</u>	<u>\$ 5,537,256</u>	<u>\$ 4,667,672</u>	<u>\$ 4,958,252</u>	<u>\$ 4,561,510</u>

See Independent Auditors' Report

Delaware River Basin Commission
Changes in Net Position - (Accrual Basis of Accounting)
Last Six Fiscal Years Unaudited

	Fiscal Year Ended June 30,					
	2014	2013	2012	2011	2010	2009
Net (Expense)/Revenue:						
Governmental Activities	\$ (4,443,842)	\$ (3,953,997)	\$ (4,607,765)	\$ (5,110,190)	\$ (4,226,546)	\$ (4,313,604)
Business-type Activities	<u>1,747,584</u>	<u>1,821,290</u>	<u>2,079,372</u>	<u>1,391,171</u>	<u>1,222,979</u>	<u>1,164,910</u>
Total Commission-Wide Net Expense	<u>\$ (2,696,258)</u>	<u>\$ (2,132,707)</u>	<u>\$ (2,528,393)</u>	<u>\$ (3,719,019)</u>	<u>\$ (3,003,567)</u>	<u>\$ (3,148,694)</u>
General Revenues and Other Changes in Net Position:						
Governmental Activities:						
Grants and Contributions Not Restricted to Special Programs	\$ 2,384,350	\$ 2,534,350	\$ 2,188,000	\$ 2,283,505	\$ 2,884,550	\$ 3,347,170
Investment Earnings			1,409	108,599	5,093	98,997
Miscellaneous Income	102,893	32,985	39,059	76,188	26,553	119,399
Transfers	<u>1,865,934</u>	<u>2,104,975</u>	<u>1,934,429</u>	<u>1,713,692</u>	<u>1,730,159</u>	<u>807,841</u>
Total Governmental Activities	<u>4,353,177</u>	<u>4,672,310</u>	<u>4,162,897</u>	<u>4,181,984</u>	<u>4,646,355</u>	<u>4,373,407</u>
Business-Type Activities:						
Investment Earnings	1,629,341	636,019	774,484	1,445,172	1,129,480	(153,002)
Transfers	<u>(1,865,934)</u>	<u>(2,104,975)</u>	<u>(1,934,429)</u>	<u>(1,713,692)</u>	<u>(1,730,159)</u>	<u>(807,841)</u>
Total Business-Type Activities	<u>(236,593)</u>	<u>(1,468,956)</u>	<u>(1,159,945)</u>	<u>(268,520)</u>	<u>(600,679)</u>	<u>(960,843)</u>
Total Commission-Wide	<u>\$ 4,116,584</u>	<u>\$ 3,203,354</u>	<u>\$ 3,002,952</u>	<u>\$ 3,913,464</u>	<u>\$ 4,045,676</u>	<u>\$ 3,412,564</u>
Changes in Net Assets:						
Governmental Activities	\$ (90,665)	\$ 718,313	\$ (444,868)	\$ (928,206)	\$ 419,809	\$ 59,803
Business-Type Activities	<u>1,510,991</u>	<u>352,334</u>	<u>919,427</u>	<u>1,122,651</u>	<u>622,300</u>	<u>204,067</u>
Total Commission	<u>\$ 1,420,326</u>	<u>\$ 1,070,647</u>	<u>\$ 474,559</u>	<u>\$ 194,445</u>	<u>\$ 1,042,109</u>	<u>\$ 263,870</u>

See Independent Auditors' Report

Delaware River Basin Commission
Fund Balances and Governmental Funds
(Modified Accrual Basis of Accounting)
Last Six Years - Unaudited

	Fiscal Year Ending June 30,					
	2014	2013	2012	2011	2010	2009
General Fund:						
Restricted	\$ 308,272	\$ 325,377	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Unreserved	<u>4,445,354</u>	<u>4,622,306</u>	<u>3,770,871</u>	<u>4,191,649</u>	<u>4,880,803</u>	<u>4,309,531</u>
Total General Fund	<u>\$ 4,753,626</u>	<u>\$ 4,947,683</u>	<u>\$ 4,070,871</u>	<u>\$ 4,491,649</u>	<u>\$ 5,180,803</u>	<u>\$ 4,609,531</u>
All other Governmental Funds:						
Unreserved, Reported in:						
Special Revenue Fund	<u>\$</u>	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</u>	<u>\$ 396,121</u>	<u>\$ 478,708</u>
Total All Other Governmental Funds	<u>\$</u>	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</u>	<u>\$ 396,121</u>	<u>\$ 478,708</u>

Delaware River Basin Commission
Changes in Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Years - Unaudited

Revenues:	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Signatory Party Contributions:										
State of Delaware	\$ 468,456	\$ 520,830	\$ 465,593	\$ 127,000	\$ 447,000	\$ 496,995	\$ 491,331	\$ 438,067	\$ 471,494	\$ 574,675
State of New Jersey	704,926	893,000	903,500	893,000	893,000	941,305	1,043,702	999,879	940,476	960,209
State of New York	246,000	246,000	365,500	370,505	472,800	638,891	696,009	611,520	498,750	485,000
Commonwealth of Pennsylvania	1,141,837	1,105,089	686,411	1,075,016	1,194,567	1,396,978	1,389,812	1,255,610	1,326,777	1,417,592
United States	681,780	984,514	692,322	887,067	1,177,445	1,247,241	1,089,108	673,229	410,476	436,097
Water Pollution Control Grant								650,890	689,172	943,369
Sale of Publications	2,444	2,775	3,450	2,604	3,797	3,850	4,410	3,700	145	2,133
Project Review Fees	491,844	780,282	954,518	448,296	876,021	366,912	282,293	479,565	370,271	306,873
Overhead Reimbursement									80,000	80,000
Investment Income		59	1,366	108,599	4,989	98,997	281,466	350,683	232,101	107,045
Fines, Assessments and Other Income	837,510	939,369	293,152	362,961	306,574	343,646	430,010	504,913	540,461	620,289
Total Revenues	4,574,797	5,471,918	4,365,812	4,275,048	5,376,193	5,534,815	5,708,141	5,968,056	5,560,123	5,933,282
Expenditures:										
Personal Services	3,133,111	3,185,201	3,254,446	3,200,330	3,164,452	3,073,105	2,989,978	2,867,064	2,617,945	2,380,689
Special and Contractual Services	1,087,400	1,324,809	1,176,378	1,258,916	1,299,652	1,296,004	2,030,419	1,927,198	1,327,441	2,059,070
Other Services	153,532	139,841	140,884	169,136	135,232	142,164	146,511	155,277	145,772	132,827
Supplies and Materials	67,254	64,757	55,422	57,534	64,701	65,482	65,046	88,058	107,704	102,366
Buildings and Grounds	271,377	250,725	186,302	175,127	191,007	224,765	330,318	172,807	200,340	164,191
Communications	27,439	23,755	20,134	26,147	34,047	40,325	45,724	50,352	38,776	43,249
Travel	62,849	32,529	46,018	66,133	50,258	46,794	62,724	62,186	48,402	65,744
Maintenance, Replacements										
Acquisitions and Rentals	109,320	100,683	139,677	81,939	116,964	167,845	201,450	304,166	171,220	138,098
Fringe Benefits and Other Contributions	1,768,082	1,788,616	1,709,443	1,684,286	1,561,351	1,148,468	1,063,827	937,374	845,612	735,338
Total Expenditures	6,680,364	6,910,916	6,728,704	6,719,548	6,617,664	6,204,952	6,935,997	6,564,482	5,503,212	5,821,572
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	(2,105,567)	(1,438,998)	(2,362,892)	(2,444,500)	(1,241,471)	(670,137)	(1,227,856)	(596,426)	56,911	111,710
Other Financing Sources/(Uses):										
Operating Transfers In	2,619,017	2,952,197	2,384,568	2,215,026	2,323,696	1,425,080	1,863,910	1,370,076	1,785,534	1,206,558
Operating Transfer (Out)	(753,083)	(847,222)	(450,138)	(501,334)	(593,537)	(617,240)	(861,580)	(441,954)	(1,173,257)	(572,070)
Total Other Financing Sources and Uses	1,865,934	2,104,975	1,934,430	1,713,692	1,730,159	807,840	1,002,330	928,122	612,277	634,488
Net Change in Fund Balances	\$ (239,633)	\$ 665,977	\$ (428,462)	\$ (730,808)	\$ 488,688	\$ 137,703	\$ (225,526)	\$ 331,696	\$ 669,188	\$ 746,198

Delaware River Basin Commission
Outstanding Debt By Type
Last Ten Years - Unaudited

Fiscal Year Ended June 30,	Business- Type Activities <u>Due to U.S. Army Corps of Engineers</u>	Governmental Fund Type <u>Capital Lease</u>	Total
2014	\$ 11,531,473	\$	\$ 11,531,473
2013	11,810,071		11,810,071
2012	12,418,024		12,418,024
2011	12,678,838		12,678,838
2010	13,247,073		13,247,073
2009	13,491,240	12,456	13,503,696
2008	14,022,355	22,513	14,044,868
2007	14,250,939	46,591	14,297,530
2006	14,612,104	21,836	14,633,940
2005	15,092,040	31,444	15,123,484

See Independent Auditors' Report

SUPPLEMENTAL SCHEDULES

**Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2014**

Schedule 1
Sheet # 1

	Riverware Modeling 201	Neversink Monitoring 202	Didymo Nutrients 203	Emerging Contaminants 205	FFMP Feasibility Study 282	USGS Monitors 310	OASIS Model 312A	Data Management 314	Data Tracking 314A	Groundwater Pennsylvania Protected Area 315	Port Jarvis Ice Flow Maintenance Project 320	Assessment of NG Impacts 326A	NG Software Tool and Process 326B	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2013	\$ 15,120	\$ 39,096	\$ 4,560	\$	\$	\$ 3,333,753	\$ 99,990	\$ 150,000	\$	\$ 6,178,979	\$ 3,729	\$ 82,500	\$ 88,931	\$ 9,996,658
Current Fiscal Year Expenditures and Encumbrances:														
Personal Services		1,842	10,217	4,210	39,164		98,445		117	48,250			10,704	212,949
Special and Contractual Services		14,229	2,891			339,308							85,285	441,713
Supplies, Materials and Equipment			492										3,000	3,492
Travel and Communications										55			56	111
Fringe Benefits		1,161	5,105	2,227	22,352		55,141		61	27,254			5,637	118,938
Transfers and Refunds		(7,021)	(7,157)	(6,437)	(61,516)	(79,107)	(117,994)			32,458			11,385	(235,389)
Total Current Fiscal Year Expenditures		10,211	11,548			260,201	35,592		178	108,017			116,067	541,814
Total Expenditures from date of Inception through June 30, 2014	15,120	49,307	16,108			3,593,954	135,582	150,000	178	6,286,996	3,729	82,500	204,998	10,538,472
Total Funding Awarded for Project	15,120	50,000	18,600			3,655,228	135,582	150,000	75,000	6,475,020	96,862	82,500	649,000	11,402,912
Capital Expenditures		693	2,492						10,570	12,720				26,475
Funding Available to Complete Project	\$	\$	\$	\$	\$	\$ 61,274	\$	\$	\$ 64,252	\$ 175,304	\$ 93,133	\$	\$ 444,002	\$ 837,965

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**Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2014**

Schedule 1
Sheet # 2

	Baseline Monitoring 326C	Exelon 59 Degree Lim. 329A	Dupont Chambers Works Discharge 329B	Water Code 336B	Early Warning System 343	Natural Gas Monitoring 350A	PA Water Planning 353	Fly Ash 360	PPL Ash Spill Settlement 361	Sec. 106 Water Pollution Control grant 362	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2013	\$ 81	\$ 17,688	\$ 63,388	\$	\$ 469,413	\$ 54,036	\$ 932,642	\$	\$	\$ 2,373,019	\$ 3,910,267
Current Fiscal Year Expenditures and Encumbrances:											
Personal Services	7,554	860	65			1,008		604	551	421,684	432,326
Special and Contractual Services	8,375				82,645					264,520	355,540
Supplies, Materials and Equipment	873					34				17,250	18,157
Travel and Communications	587									6,410	6,997
Fringe Benefits	4,489	476	29			524		385	339	231,281	237,523
Transfers and Refunds	2,553	(1,336)	(94)			1,150		(989)	(890)	(333,792)	(333,398)
Total Current Fiscal Year Expenditures	24,431				82,645	2,716				607,353	717,145
Total Expenditures from date of Inception through June 30, 2014	24,512	17,688	63,388		552,058	56,752	932,642			2,980,372	1,647,040
Total Funding Awarded for Project	82,500	17,688	63,388	61,993	552,058	150,000	1,100,000			3,624,824	5,652,451
Capital Expenditures							5,799			20,149	25,948
Funding Available to Complete Project	\$ 57,988	\$	\$	\$ 61,993	\$	\$ 93,248	\$ 161,559	\$	\$	\$ 624,303	\$ 374,788

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**Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2014**

Schedule 1
Sheet # 3

	Model Development 363B	Lower Delaware Model Point Discharge Study 364	Delaware Estuary Mercury Study 369	William Penn Outreach 372	Courtyard 372A	Comprehensive Plan 374	Flood Outreach 375	Nutriet Expert Panel 384	Enhanced Flood Mitigation 385	Ecological Flow Recommendations 386	Schedule Total
Cumulative Expenditures From Date of Inception Through June 30, 2013	\$	\$ 64,837	\$ 88,923	\$	\$ 194,694	\$ 997,008		\$ 2,010	\$ 434,565	\$ 33,571	\$15,722,533
Current Fiscal Year Expenditures and Encumbrances:											
Personal Services	69	17,885					6,925				670,154
Special and Contractual Services			21,456		788					70,940	890,437
Supplies, Materials and Equipment					140						21,789
Travel and Communications		359					200				7,667
Fringe Benefits	31	8,334					3,688				368,514
Transfers and Refunds	(100)	13,500			(426)	132,992	1,112		2,659		(419,050)
Total Current Fiscal Year Expenditures		40,078	21,456		502	132,992	11,925		2,659	70,940	1,539,511
Total Expenditures from date of Inception through June 30, 2014		104,915	110,379		195,196	1,130,000	11,925	2,010	437,224	104,511	17,262,044
Total Funding Awarded for Project		130,000	110,961	6,000	271,681	1,130,000	39,995	24,743	434,565	104,511	19,307,819
Capital Expenditures				3,000	76,485						131,908
Funding Available to Complete Project	\$	\$ 25,085	\$ 582	\$ 3,000	\$	\$	\$ 28,070	\$ 22,733	\$ (2,659)	\$	\$ 1,913,867

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Delaware River Basin Commission
General Fund Expenditures - By Category and Object - Unaudited
Years Ended June 30, 2014 and 2013
(With comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
Personnel Services	\$ 2,393,067	\$ 2,593,510
Special and Contractual Services:		
Auditing	16,405	15,785
Computer and Financial	16,291	15,785
All Other Special and Contractual Services	<u>164,267</u>	<u>196,987</u>
Total Special and Contractual Services	<u>196,963</u>	<u>228,557</u>
Other Services:		
Insurance	120,592	110,798
Advertising	7,564	6,408
Memberships	16,359	12,124
All Other	<u>8,507</u>	<u>10,511</u>
Total Other Services	<u>153,022</u>	<u>139,841</u>
Supplies and Materials:		
Vehicular	10,505	11,670
Office	32,852	30,313
Library	<u>2,758</u>	<u>3,520</u>
Total Supplies and Materials	<u>46,115</u>	<u>45,503</u>
Buildings and Grounds	<u>182,857</u>	<u>163,709</u>
Communications:		
Postage	1,594	6,163
Telephone and Other	<u>24,290</u>	<u>14,299</u>
Total Communications	<u>25,884</u>	<u>20,462</u>
Travel:		
Travel	21,400	19,176
Commission Meeting Expense	<u>35,337</u>	<u>7,585</u>
Total Travel	<u>56,737</u>	<u>26,761</u>
Maintenance, Replacements, Acquisitions and Rentals:		
Office Equipment	19,284	15,980
Vehicular Equipment	14,443	12,416
Computers	289	803
Office Equipment Rental		
Depreciation	<u>82,460</u>	<u>120,408</u>
Total Maintenance, Replacements, Acquisitions and Rentals	<u>116,476</u>	<u>149,607</u>
Fringe Benefits and Other Contributions:		
Employees' Retirement	312,408	317,018
Social Security	176,909	186,500
Health and Dental Benefits	867,926	902,830
Unemployment Compensation	7,192	7,671
Long-term Disability	<u>8,774</u>	<u>8,378</u>
Total Fringe Benefits and Other Contributions	<u>1,373,209</u>	<u>1,422,397</u>
Total General Fund Expenditures	<u>\$ 4,544,330</u>	<u>\$ 4,790,347</u>

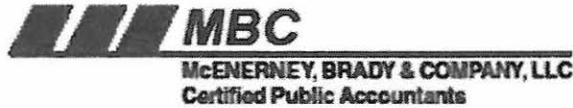
See Independent Auditors' Report

Delaware River Basin Commission
Changes in Special Projects
Advance/(Receivable) Balance - By Project - Unaudited
Year Ended June 30, 2014

Advances:	Project	Balance June 30, 2013	Cash Receipts	Transfers	Expenditures	Balance June 30, 2014
	310 USGS Monitors	\$ 124,956	\$ 196,420	\$ 79,107	\$ (339,308)	\$ 61,175
	312A Oasis Motel	5,592		(5,592)		
	314A Data Tracking - Haas Trust	65,488			(1,235)	64,253
	315 Groundwater - PA	197,671	85,650	(32,458)	(75,559)	175,304
	320 Upper Delaware Ice Jam	93,079	54			93,133
	322 Flow and Temp. Modeling	16,622				16,622
	326B NG Software Tool, Planning	560,069		(11,385)	(104,682)	444,002
	326C Baseline Monitoring	82,419		(2,553)	(21,879)	57,987
	336 Flexible Flow Mgmt. Plan	15,593				15,593
	343 Early Warning System	652	81,993		(82,645)	
	350A NG Monitoring Haas Trust	95,964		(1,150)	(1,566)	93,248
	353 PA Water Planning	161,559				161,559
	372 William Penn Foundation	6,000			(3,000)	3,000
	372A Courtyard Project	31,245	1,250	426	(32,921)	
	373 William Penn Fd. - PCBs	3,843				3,843
	374 William Penn Comp. Plan	132,992		(132,992)		
	384 Nutrient Expert Panel	22,733				22,733
	386 Ecological Flow Recommendations	70,940			(70,940)	
	Total Advances	<u>\$ 1,687,417</u>	<u>\$ 365,367</u>	<u>\$ (106,597)</u>	<u>\$ (733,735)</u>	<u>\$ 1,212,452</u>
Accounts Receivable:						
	202 Neversink Water Quality Monitoring	\$ (4,659)	\$ 4,659	\$ 7,020	\$ (17,233)	\$ (10,213)
	203 Didymo Nutrient Study	(6,124)	17,671	7,157	(18,704)	
	312A Oasis Model	(43,655)	59,449	123,586	(153,586)	(14,206)
	362 Water Pollution Control	(268,094)	723,546	333,793	(961,289)	(172,044)
	364 Lower Delaware Discharger Study		39,771	(13,500)	(26,578)	(307)
	369 Mercury Study	(27,157)	48,613		(21,456)	
	375 NJ Flood Outreach			(1,112)	(10,814)	(11,926)
	Total Accounts Receivable	<u>\$ (349,689)</u>	<u>\$ 893,709</u>	<u>\$ 456,944</u>	<u>\$ (1,209,660)</u>	<u>\$ (208,696)</u>

See Independent Auditors' Report

SINGLE AUDIT SECTION



**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware River Basin Commission (the "Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Commission's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

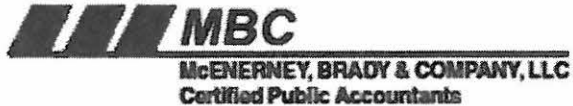
As part of obtaining reasonable assurance about whether the Commission's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "McCreary Brady Company, LLC".

Livingston, New Jersey
December 8, 2014



**Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of State Awards Required by OMB Circular A-133 and
New Jersey OMB Circular 04-04**

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

Report on Compliance for Each Major Program

We have audited the Delaware River Basin Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Circular A-133* and *New Jersey OMB Circular 04-04 Compliance Supplements* that could have a direct and material effect on each of the Commission's major programs for the year ended June 30, 2014. The Commission's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Programs* (collectively, "OMB Circular A-133"). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

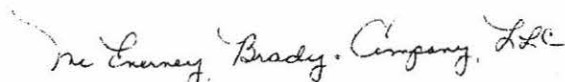
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by NJ OMB Circular 04-04

We have audited the financial statements of the Commission as of and for the year ended June 30, 2014, and have issued our report thereon dated December 8, 2014, which contained an unqualified opinion on those financial statements on the basis of generally accepted accounting principles. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole



Livingston, New Jersey
December 8, 2014

Delaware River Basin Commission
Schedule of Expenditures of Federal and State Awards
Year Ending June 30, 2014

Federal Grantor/Program Title	Federal CFDA #	DRBC Project #	Grant Period	Award Amount	Cash Received	Expenditures	Cumulative Expenditures
Federal Awards:							
Direct Programs:							
U.S. Environmental Protection Agency:							
Water Pollution Control Grant	66.419	362	1/1/10-12/31/13	\$ 2,663,294	\$ 558,368	\$ 290,274	\$ 2,663,294
Water Pollution Control Grant	66.419	362	1/1/14-12/31/14	961,530	165,178	337,222	337,222
				<u>3,624,824</u>	<u>723,546</u>	<u>627,496</u>	<u>3,000,516</u>
U.S. Department of the Interior:							
NPS-Lower Delaware Point Discharger Study	15.935	364	10/1/09-9/30/14	130,000	39,771	40,078	104,914
U.S. Department of Commerce							
NOAA-Enhanced Flood Warning System	11.467	385	8/1/09-3/31/12	434,565	2,659	2,659	434,565
				<u>4,189,389</u>	<u>765,976</u>	<u>670,233</u>	<u>3,539,995</u>
Pass-Through Programs:							
U.S. Department of Commerce							
NOAA Penn State Erie	11.417	203	11/1/12-12/31/13	18,600	17,671	11,547	18,600
				<u>\$ 4,207,989</u>	<u>\$ 783,647</u>	<u>\$ 681,780</u>	<u>\$ 3,558,595</u>
Total Federal Awards							

**DELAWARE RIVER BASIN COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2014**

1. GENERAL:

The accompanying Schedule of Expenditures of Federal and State awards present the activity of all awards of the Delaware River Basin Commission. The Delaware River Basin Commission is defined in Note 1 to the Commission's financial statements. All federal and state awards received directly from federal agencies, as well as, federal awards and financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal and State Awards are presented using the accrual basis of accounting.

3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**DELAWARE RIVER BASIN COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section 1 - Summary of Auditor's Results

FINANCIAL STATEMENT SECTION

Type of auditor's reports issued:

Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified?

___ Yes X No

2) Were significant deficiencies identified that were not considered to be material weaknesses?

___ Yes X None Reported

Noncompliance material to general purpose financial statements noted?

___ Yes X No

FEDERAL AWARDS SECTION

Internal Control over major programs:

1) Material weakness(es) identified?

___ Yes X No

2) Were significant deficiencies identified that were not considered to be material weaknesses?

___ Yes X None Reported

Type of auditor's report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section 510(a))?

___ Yes X No

Identification of major federal programs:

CFDA #

Title

66.419

EPA Water Pollution Control Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

X Yes ___ No

**DELAWARE RIVER BASIN COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section II - Schedule of Financial Statement Findings

NONE

Section III - Schedule of Federal Award Findings and Questioned Costs

NONE

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT
FINDINGS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year findings to the general-purpose financial statements and federal and state awards that are required to be reported in accordance the Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (Section .315(a)(b)).

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings for the year ended June 30, 2013.